

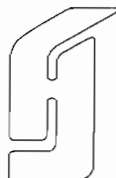
**NEIGHBORHOOD LENDING PARTNERS, INC.**

Tampa, Florida

Audited Combined Financial Statements

At March 31, 2007 and 2006 and For the Years Then Ended  
With Supplementary Schedules for Fiscal 2007

(Together with Independent Auditors' Report)



**HACKER, JOHNSON & SMITH PA**

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Certified Public Accountants





## HACKER, JOHNSON & SMITH PA

Fort Lauderdale  
Orlando  
Tampa

Certified Public Accountants

### Unqualified Opinion on the Combined Financial Statements and Supplementary Schedules

#### Independent Auditors' Report

Neighborhood Lending Partners, Inc.  
Tampa, Florida:

We have audited the accompanying combined statements of financial position of Neighborhood Lending Partners, Inc. and Affiliates (the "Company") at March 31, 2007 and 2006, and the related combined statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Company at March 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2007 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance for the year ended March 31, 2007 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650 *Rules of the Audit General* and is not a required part of the basic combined financial statements. In addition, the combining statement of financial position at March 31, 2007 and combining statement of activities for the year ended March 31, 2007 are presented for purposes of additional analysis of the combined financial statements rather than to present the financial position and changes in net assets of the individual companies. All such supplemental information have been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic combined financial statements taken as a whole.

HACKER, JOHNSON & SMITH PA  
Tampa, Florida  
June 15, 2007

**NEIGHBORHOOD LENDING PARTNERS, INC.**

**Combined Statements of Financial Position**

<b>Assets</b>	<b>At March 31,</b>	
	<u>2007</u>	<u>2006</u>
Cash:		
Restricted	\$ 7,799,328	6,620,517
Unrestricted	<u>612,126</u>	<u>728,072</u>
Total cash	8,411,454	7,348,589
Short-term investments - money market funds	<u>112,180</u>	<u>130,062</u>
Cash and cash equivalents	8,523,634	7,478,651
Certificates of deposit	150,000	150,000
Investments, at market	249,375	244,750
Mortgage loans, net allowance for loan losses of \$3,465 and \$3,425 in 2007 and 2006	483,912	9,853,523
Mortgage loans, CDFI, net	11,755,518	12,165,729
Mortgage loans, FNMA	-	2,000,000
Member receivable	-	46,939
Accrued interest receivable	125,111	129,345
Servicing fees receivable	37,323	46,347
Support receivable from member banks	27,500	51,500
Other receivables	308,585	55,536
Property and equipment, net	1,311,272	1,380,869
Other assets	<u>119,720</u>	<u>62,315</u>
Total assets	\$ <u>23,091,950</u>	\$ <u>33,665,504</u>
 <b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	581,856	423,335
Accrued interest payable	-	24,168
Notes payable due to FNMA	-	2,000,000
Escrow deposits	4,353,834	5,222,598
Due to the City of St. Petersburg	1,521,058	1,595,308
Note payable	880,000	895,078
Due to member banks	59,674	28,938
Notes payable due to member banks	<u>-</u>	<u>9,555,719</u>
Total liabilities	<u>7,396,422</u>	<u>19,745,144</u>
Commitments and contingencies (Notes 10, 11 and 12)		
Net assets:		
Unrestricted	<u>4,269,773</u>	<u>4,243,762</u>
Temporarily restricted:		
CDFI Grants	9,512,802	9,512,802
Other Grants	1,779,145	96,143
Member support	27,500	51,500
Future loan programs	<u>106,308</u>	<u>16,153</u>
Total temporarily restricted	<u>11,425,755</u>	<u>9,676,598</u>
Total net assets	<u>15,695,528</u>	<u>13,920,360</u>
Total liabilities and net assets	\$ <u>23,091,950</u>	\$ <u>33,665,504</u>

See accompanying Notes to Combined Financial Statements.

**NEIGHBORHOOD LENDING PARTNERS, INC.**

**Combined Statement of Activities**

**Year Ended March 31, 2007**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Grants	\$ -	1,695,100	1,695,100
Loan servicing fees	684,964	-	684,964
Loan facilitation fees	977,999	-	977,999
Interest income, mortgage loans	455,657	57,074	512,731
Member support	87,300	27,500	114,800
Interest income and other	286,363	-	286,363
Net assets released from restrictions	<u>30,517</u>	<u>(30,517)</u>	<u>-</u>
Total revenues	<u>2,522,800</u>	<u>1,749,157</u>	<u>4,271,957</u>
Expenses:			
Salaries and employee benefits	1,594,595	-	1,594,595
Professional fees	93,406	-	93,406
Rental and maintenance	49,124	-	49,124
Office	77,000	-	77,000
Depreciation and amortization	80,349	-	80,349
Credit for loan losses	(4,603)	-	(4,603)
Interest expense	377,881	-	377,881
Travel	47,402	-	47,402
Other	<u>181,635</u>	<u>-</u>	<u>181,635</u>
Total expenses	<u>2,496,789</u>	<u>-</u>	<u>2,496,789</u>
Increase in net assets	26,011	1,749,157	1,775,168
Net assets at beginning of year	<u>4,243,762</u>	<u>9,676,598</u>	<u>13,920,360</u>
Net assets at end of year	<u>\$ 4,269,773</u>	<u>11,425,755</u>	<u>15,695,528</u>

See accompanying Notes to Combined Financial Statements.

**NEIGHBORHOOD LENDING PARTNERS, INC.**

**Combined Statement of Activities**

**Year Ended March 31, 2006**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Grants	\$ -	405,000	405,000
Loan servicing fees	711,740	-	711,740
Loan facilitation fees	745,399	-	745,399
Interest income, mortgage loans	762,768	64,238	827,006
Member support	77,100	180,500	257,600
Interest income and other	134,070	-	134,070
Net assets released from restrictions	<u>529,770</u>	<u>(529,770)</u>	<u>-</u>
Total revenues	<u>2,960,847</u>	<u>119,968</u>	<u>3,080,815</u>
Expenses:			
Salaries and employee benefits	1,368,726	-	1,368,726
Professional fees	91,331	-	91,331
Rental and maintenance	107,071	-	107,071
Office	72,499	-	72,499
Depreciation and amortization	44,899	-	44,899
Provision for loan losses	24,068	-	24,068
Interest expense	614,947	-	614,947
Travel	47,896	-	47,896
Other	<u>189,791</u>	<u>-</u>	<u>189,791</u>
Total expenses	<u>2,561,228</u>	<u>-</u>	<u>2,561,228</u>
Increase in net assets	399,619	119,968	519,587
Net assets at beginning of year	<u>3,844,143</u>	<u>9,556,630</u>	<u>13,400,773</u>
Net assets at end of year	<u>\$ 4,243,762</u>	<u>9,676,598</u>	<u>13,920,360</u>

See accompanying Notes to Combined Financial Statements.

**NEIGHBORHOOD LENDING PARTNERS, INC.**

**Combined Statements of Cash Flows**

	<b>Year Ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
Cash flows from operating activities:		
Increase in net assets	\$ 1,775,168	519,587
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	80,349	44,899
(Credit) provision for loan losses	(4,063)	24,068
Amortization of deferred loan fees and costs, net	(5,849)	(96,541)
Unrealized loss (gain) on investments	943	(1,625)
Decrease (increase) in member receivable	46,939	(16,563)
Decrease (increase) in accrued interest receivable	4,234	(19,061)
Decrease (increase) in servicing fees receivable	9,024	(12,656)
Decrease in support receivable from member banks	24,000	82,750
(Increase) decrease in other receivables	(253,049)	81,029
Increase in other assets	(57,405)	(33,154)
Increase in accounts payable and accrued expenses	158,521	75,084
(Decrease) increase in accrued interest payable	(24,168)	4,972
(Decrease) increase in escrow deposits	(868,764)	3,136,659
Increase in due to member banks	30,736	14,228
Net cash provided by operating activities	916,616	3,803,676
Cash flows from investing activities:		
Purchase of investments	(400,000)	-
Proceeds from maturities of investments	394,432	-
Net additions of property and equipment	(10,752)	(970,497)
Net mortgage loan repayments	9,379,523	48,798
Net mortgage loan repayments (originations) - CDFI	410,211	(2,287,004)
Net mortgage loan repayments (originations) - FNMA	2,000,000	(1,593,298)
Net cash provided by (used in) investing activities	11,773,414	(4,802,001)
Cash flows from financing activities:		
Loan repayments from member banks, net	(9,555,719)	(137,351)
(Repayments) proceeds of loans from FNMA	(2,000,000)	1,593,298
(Repayment of) proceeds from loan from the City of St. Petersburg, net	(74,250)	1,328,720
(Repayment of) proceeds from note payable	(15,078)	722,428
Net cash (used in) provided by financing activities	(11,645,047)	3,507,095
Net increase in cash and cash equivalents	1,044,983	2,508,770
Cash and cash equivalents at beginning of year	7,478,651	4,969,881
Cash and cash equivalents at end of year	\$ 8,523,634	7,478,651
Supplemental disclosure of cash flow information -		
Cash paid for interest, net of interest capitalized of \$15,012 in 2006	\$ -	599,577

See accompanying Notes to Combined Financial Statements.

# NEIGHBORHOOD LENDING PARTNERS, INC.

## Notes to Combined Financial Statements

At March 31, 2007 and 2006 and For the Years Then Ended

### (1) Organization and Summary of Significant Accounting Policies

**Organization.** Prior to November 29, 2001, Neighborhood Lending Partners, Inc. ("NLP") was a private not-for-profit organization established to arrange for financing and provide technical assistance to facilitate the development of affordable housing in nineteen counties located in the West Florida area, and to otherwise support community development and redevelopment needs. NLP lessened the burden of government jurisdictions by working with public agencies to achieve maximum leverage of public and private dollars and provided technical assistance to project sponsors.

On November 29, 2001, the name of NLP was changed to Neighborhood Lending Partners of West Florida, Inc. ("NLPWF") and on the same date a new NLP was incorporated which became the parent affiliated company for NLPWF. All services previously provided by NLP are now provided by NLPWF. On February 19, 2002, Neighborhood Lending Partners of South Florida, Inc. ("NLPSF") was incorporated, which is also an affiliate of NLP, to provide the same services as NLPWF in four South Florida counties.

On December 22, 2003, NLP formed a new affiliate called Neighborhood Lending Partners of North Florida, Inc. ("NLPNF") to provide the same services as NLPWF and NLPSF in forty-four North Florida counties. NLPNF began operations on April 27, 2004.

The only activity of NLP is the operations of its affiliates. NLP, NLPWF, NLPSF and NLPNF are combined due to common control.

A consortium of member banks of NLPWF, NLPSF and NLPNF provide first mortgage loan commitment and funding capacity as provided under Loan Operating Agreements with each entity (the "Agreements"). Each member funds its proportionate share of a loan based on its proportionate share of the loan pool, subject to minimum funding criteria. Under the Agreements in place as of March 31, 2007, NLPWF, NLPSF and NLPNF can fund loans through two methods, participation loans or portfolio loans. Participation loans are loans where NLPWF, NLPSF or NLPNF have sold the loans directly to its members while portfolio loans are loans that NLPWF, NLPSF or NLPNF have put on its books as mortgage loans receivables and are funded through corresponding notes payable to member banks.

Also NLPWF receives funding under grants from the Community Development Financial Institutions Fund ("CDFI"), State Housing Initiatives Partnership ("SHIP") funds and Hurricane Housing Relief Program ("HHRP") funds from local jurisdictions in which NLPWF operates. These funds are used to provide second or third mortgage loans in housing developments that provide for low-income families and residents and for residents with "special housing needs" (see Note 10).

(continued)



# NEIGHBORHOOD LENDING PARTNERS, INC.

## Notes to Combined Financial Statements, Continued

### (1) Organization and Summary of Significant Accounting Policies, Continued

**Basis of Presentation.** The accompanying combined financial statements include NLP, NLPWF, NLPSF and NLPNF (collectively the "Company"). All significant intercompany accounts and transactions have been eliminated.

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America. The following summarizes the more significant of these policies and practices.

**Estimates.** The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Financial Statement Presentation.** The Company follows Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations." Under this Statement, the Company is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the expenses are required to be reported by their functional classification. All expenses of the Company are program services relating to lending activities.

**Restricted Cash.** At March 31, 2007, restricted cash represented \$1,727,716 received from CDFI, \$1,251,220 received from DeSoto County and \$300,576 received from Pasco County which had not yet been disbursed under the CDFI program (see Note 10) and \$59,674 of principal, interest and risk fee payments received from borrowers and due to local jurisdictions under the CDFI Program and member banks. In addition, \$106,308 was restricted for future loan programs. Also, restricted cash included \$4,353,834 of escrow payments received from borrowers.

At March 31, 2006, restricted cash represented \$847,372 received from CDFI, \$180,118 received from Highlands County and \$325,338 received from Pasco County which had not yet been disbursed under the CDFI program (see Note 10) and \$28,938 of principal, interest and risk fee payments received from borrowers and due to local jurisdictions under the CDFI Program and member banks. In addition, \$16,153 was restricted for future loan programs. Also, restricted cash included \$5,222,598 of escrow payments received from borrowers.

(continued)

# NEIGHBORHOOD LENDING PARTNERS, INC.

## Notes to Combined Financial Statements, Continued

### (1) Organization and Summary of Significant Accounting Policies, Continued

**Grants.** The Company follows Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made." This Statement requires grants received to be recognized as revenue in the period received at their fair values. This Statement also requires not-for-profit organizations to distinguish between grants received that increase permanently restricted net assets, temporarily restricted net assets and unrestricted net assets. It also requires recognition of the expiration of donor imposed restrictions in the period in which the restrictions expire. Therefore, the Company reports its grants from CDFI as restricted support due to the terms and covenants included in the agreements (see Note 10). When the grant restriction expires, that is, when the stipulated time restriction ends and the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The grants received from counties and cities in connection with the CDFI program will always be classified as temporarily restricted net assets (see Note 10). CDFI program funds are required to be used primarily for affordable housing and economic development.

**Cash and Cash Equivalents.** Cash and cash equivalents consist of cash on deposit in financial institutions with original maturities of less than three months.

**Investments.** Investments in debt securities are measured at fair value in the accompanying combined statements of financial position. Gains and losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or by law.

**Loans.** Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal adjusted for any charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans.

Loan origination fees and certain direct origination costs are capitalized and recognized as an adjustment of the yield of the related loan. Commitment fees are capitalized and amortized over the commitment and loan term using the level yield method. If the commitment expires unexercised, the unamortized fee is recognized in revenue.

The allowance for loan losses on loans made under the CDFI program and loans not funded through corresponding notes payable to member banks is increased by charges to income and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions.

(continued)

# NEIGHBORHOOD LENDING PARTNERS, INC.

## Notes to Combined Financial Statements, Continued

### (1) Organization and Summary of Significant Accounting Policies, Continued

**Loans, Continued.** For mortgage loans originated by the Company whose funding is provided by member banks through loans to the Company under the Agreements, the Company does not maintain an allowance for mortgage loan losses because the loans are the sole collateral for the notes payable to member banks. The notes are without recourse to the Company. Any losses on the loans will be absorbed by the member banks in proportion to their relative funding percentage.

**Property and Equipment.** Land is carried at cost. Building, furniture, fixtures and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements were amortized over the life of the asset or lease term, if shorter.

**Due to Member Banks.** At March 31, 2007 and 2006, due to member banks includes loan payoffs for loans sold to the member banks. Such amounts were remitted to the member banks in April, 2007 and 2006, respectively.

**Loan Facilitation Fees.** Loan facilitation fees totaled \$977,999 and \$745,399 for the years ended March 31, 2007 and 2006, respectively on loans originated by the Company for member banks.

**Loan Servicing Fees.** Loan servicing fees totaled \$684,964 and \$711,740 for the years ended March 31, 2007 and 2006, respectively. The servicing portfolio totaled approximately \$117,168,000 and \$124,615,000 at March 31, 2007 and 2006, respectively.

(continued)

**NEIGHBORHOOD LENDING PARTNERS, INC.**

**Notes to Combined Financial Statements, Continued**

**(2) Allowance for Loan Losses**

A summary of the activity in the allowance for loan losses is as follows:

	<b>Year Ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
Beginning balance	\$ 132,919	108,851
(Credit) provision	<u>(4,603)</u>	<u>24,068</u>
Ending balance <sup>(1)</sup>	<u>\$ 128,316</u>	<u>132,919</u>

<sup>(1)</sup> Includes the allowance for loan losses for mortgage loans and mortgage loans, CDFI (see Note 10).

**(3) Property and Equipment, Net**

Property and equipment consists of the following:

	<b>At March 31,</b>	
	<b>2007</b>	<b>2006</b>
Land	\$ 153,032	153,032
Building	1,072,220	1,072,220
Furniture and fixtures	148,716	165,417
Equipment	<u>36,170</u>	<u>105,409</u>
Total, at cost	1,410,138	1,496,078
Less accumulated depreciation and amortization	<u>(98,866)</u>	<u>(115,209)</u>
Property and equipment, net	<u>\$ 1,311,272</u>	<u>1,380,869</u>

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC.

Notes to Combined Financial Statements, Continued

**(4) Notes Payable Due to Member Banks**

Funding for loans originated by the Company is provided by member banks as specified in the Agreements. As stated in the Agreements, the terms of the Company's borrowings from member banks are substantially the same as the terms of the loans the Company originates. All lending decisions are approved by a Loan Committee comprised of various member banks. The member banks receive an assignment of collateral for the loans originated equal to their relative funding percentage in each loan. A servicing fee is retained by the Company to cover operating expenses. There were no notes payable to member banks at March 31, 2007.

Notes payable to member banks were collateralized by assignment of the notes and mortgages and are summarized as follows:

	<u>At March 31,</u> <u>2006</u>
\$1,891,165 construction note payable at libor plus 1.875% with interest only payments through the end of the construction period. The member banks funded the permanent loan at the end of the construction period in fiscal 2007.	\$ 1,891,165
\$7,664,554 construction note payable at libor plus 2.50% with interest only payments through the end of the construction period. The member banks funded the permanent loan at the end of the construction period in fiscal 2007.	<u>7,664,554</u>
	<u>\$ 9,555,719</u>

(continued)

NEIGHBORHOOD LENDING PARTNERS, INC.

Notes to Combined Financial Statements, Continued

**(5) Notes Payable Due to Fannie Mae**

In fiscal 2005 and 2003, the Company entered into \$2,000,000 and \$6,000,000 revolving credit arrangements, respectively, with Fannie Mae for the construction of multi-family projects (aggregate \$8 million). The credit arrangements with Fannie Mae are collateralized by the assignment of the related notes and mortgages and are funded prior to funding by the member banks. Also the member banks have guaranteed the notes and have agreed to fund the permanent loans at the end of the construction period. There were no amounts outstanding at March 31, 2007 in connection with these revolving credit agreements. The amounts due at March 31, 2006 are as follows:

	<u>At March 31,</u> <u>2006</u>
Construction note payable at libor plus .75%. The member banks funded the permanent loan in fiscal 2007.	\$ <u>2,000,000</u>

**(6) Note Payable**

The Company has a note payable outstanding with a member bank for the funding of their main office building. The note is payable in monthly principal and interest payments totaling \$5,947 through September 2015. The note payable is collateralized by a building with a net book value of \$1,033,757 at March 31, 2007. Principal payments are as follows:

<u>Year Ended March 31,</u>	<u>Amount</u>
2008	\$ 17,890
2009	19,041
2010	20,265
2011	21,434
2012	22,948
Thereafter	<u>778,422</u>
Total principal payments	\$ <u>880,000</u>

**(7) Related Party Transactions and Concentrations of Credit Risk**

The Company had \$ 8,523,634 and \$7,478,651 on deposit with member banks in general operating accounts, payroll accounts, escrow accounts and short-term investment accounts as of March 31, 2007 and 2006, respectively.

**(8) Tax Status**

NLP, based on its Internal Revenue Service determination letter, dated November 13, 1997, is a publicly supported organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the accompanying combined financial statements do not include any provision for income taxes.

(continued)

**NEIGHBORHOOD LENDING PARTNERS, INC.**

**Notes to Combined Financial Statements, Continued**

**(9) Retirement Plan**

The Company has a profit sharing plan established in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The profit sharing plan is available to all employees electing to participate after meeting certain length of service requirements. The Company contributed \$60,780 and \$62,649 to the plan during the years ended March 31, 2007 and 2006, respectively.

**(10) Community Development Financial Institutions Program**

In fiscal years 2003, 2002 and 1997, the Company was awarded grants, subject to certain conditions, in the amounts of \$1,067,000, \$2,000,000 and \$2,500,000, respectively, from the CDFI which are matched with grants from ten of the local jurisdictions in which operations are conducted (Hernando, Hillsborough, Pasco, Pinellas, Highlands, Sumter, Sarasota and Polk Counties and the Cities of St. Petersburg and Sarasota). The matching funds are provided from the local allocations from the State of Florida's SHIP Funds. All funds, except for those received from the City of St. Petersburg 1997 grant agreement, are used as a revolving loan fund to provide second or third mortgage loans that are needed to meet gap financing requirements in housing developments for low-income families and residents and for "special needs" housing. To obtain financing under the program a minimum of 20% of the units must be reserved for individuals and families earning 50% or less than the area median income. Mortgage loans, CDFI, are as follows:

	<b>At March 31,</b>	
	<b>2007</b>	<b>2006</b>
Mortgage loans	\$ 11,999,248	12,359,614
Less:		
Allowance for loan losses	(124,851)	(129,494)
Unamortized loan fees and costs, net	(118,879)	(64,391)
	<b>\$ 11,755,518</b>	<b>12,165,729</b>

There were no impaired loans, nonaccrual loans or loans past due ninety days or more and still accruing interest at March 31, 2007 or 2006.

(continued)

**NEIGHBORHOOD LENDING PARTNERS, INC.**

**Notes to Combined Financial Statements, Continued**

**(10) Community Development Financial Institutions Program, Continued**

Temporarily restricted grant revenue relating to the CDFI program is as follows:

Name	At March 31,	
	2007	2006
CDFI - 1997	\$ -	-
Matching funds:		
Pasco County	894,635	894,635
Hillsborough County	1,315,135	1,315,135
Pinellas County	50,000	50,000
Polk County	<u>857,120</u>	<u>857,120</u>
Total	<u>3,116,890</u>	<u>3,116,890</u>
CDFI – 2002	1,964,596	1,964,956
Matching funds:		
Highlands	100,000	100,000
Hillsborough County	1,169,100	1,169,100
City and County of Sarasota	800,000	800,000
Polk County	666,000	666,000
Pasco County	<u>442,356</u>	<u>442,356</u>
Total	<u>5,142,412</u>	<u>5,142,412</u>
CDFI – 2003	1,053,500	1,053,500
Matching funds-		
Hernando County	<u>200,000</u>	<u>200,000</u>
Total	<u>1,253,500</u>	<u>1,253,500</u>
Temporarily restricted net assets – CDFI grants	<u>\$ 9,512,802</u>	<u>9,512,802</u>

Under the agreements with CDFI-2003 and CDFI-2002, the Company is required to comply with various terms and covenants which, among other things, includes the achievement of certain performance goals and the maintaining of certain financial statement ratios. In the event of default, CDFI has various remedies which include the required repayment of any funds distributed to the Company. For financial statement presentation purposes, all funds received under these agreements are classified as temporarily restricted net assets through the terms of the agreements which ends on March 31, 2007 for CDFI-2003 and ends on May 31, 2006 for CDFI-2002. For CDFI-1997, the amount received of \$2,500,000 was reclassified to unrestricted net assets on May 8, 2003, upon expiration of the term of the agreement. For CDFI-2002, the Company has complied with all terms and covenants of the agreements through March 31, 2007 and \$1,964,596 will be reclassified to unrestricted net assets upon authorization from the grantor in fiscal 2008.

(continued)



## NEIGHBORHOOD LENDING PARTNERS, INC.

### Notes to Combined Financial Statements, Continued

#### **(10) Community Development Financial Institutions Program, Continued**

The matching funds received from the City of St. Petersburg 1997 grant agreement are required to be repaid by the Company to the City at certain times each year based on the payments received from the borrowers. Therefore, these matching funds are recorded as a liability on the combined statements of financial position. The Company retains 50% of all interest collected, a portion of which is to be used for future loan programs and a portion to cover administration costs. The remaining 50% is remitted to the City.

The matching funds received from the Counties and the City and County of Sarasota are classified as grants and will be maintained as revolving lines to be used for future lending under the program. All principal payments received from borrowers will be retained by the Company and used to fund subsequent loans in the respective counties or cities. All such subsequent loans will require approval of the specific County or City and must be in accordance with the provisions of the CDFI guidelines. Due to the requirement that the Counties and Cities approve all subsequent loans under these grants, such grants will be recorded as temporarily restricted net assets. The Company retains 50% of all interest collected, a portion of which is to be used for future loan programs and a portion to cover administration costs. The remaining 50% is remitted to the Counties and Cities.

At March 31, 2007 and 2006, principal and interest payments received from borrowers and interest earned but not yet collected from borrowers that is due to local jurisdictions is included in accounts payable and accrued expenses.

#### **(11) Temporarily Restricted Net Assets – Other Grants**

During fiscal 2007, the Company received \$1,475,000 grant from DeSoto County under the Hurricane Housing Recovery Program.

The Company received a \$60,000 grant in fiscal 2007 from Fannie Mae for staffing a position which will administer financing programs for families directly affected by hurricanes.

The Company received a \$145,100 grant from the City of St. Petersburg in fiscal 2007 restricted for use under the SHIP program.

The Company also has temporarily restricted \$15,000 and \$10,000 for grants received during 2007 and 2006 in accordance with the terms of the grant agreement. At March 31, 2007 and 2006, \$24,045 and \$10,000 were temporarily restricted in connection with these grants.

(continued)

**NEIGHBORHOOD LENDING PARTNERS, INC.**

**Notes to Combined Financial Statements, Continued**

**(11) Temporarily Restricted Net Assets – Other Grants, Continued**

During 2006, the Company received a \$75,000 grant from Highlands County under the Hurricane Housing Recovery Program. These funds are designated for assistance in recovery efforts from the 2004 hurricanes. Under the agreement, 50% of the interest collected shall be allocated to the County annually, 25% of the interest shall be deposited into an equity loan fund for pre-development loans, residential services, and other gap financing needs for affordable housing and economic development for which grant funds requiring a local match are used and the remaining 25% will be used by the Company to pay administrative costs. 100% of the principal collected will be deposited into escrow accounts and used to fund the future loans in Highlands County. Accordingly, these funds are designed as temporarily restricted for financial statement purposes at March 31, 2007 and 2006.

The Company also received a \$25,000 grant from a member bank for web site development. Accordingly, for financial statement presentation the grant is classified as restricted until such a time as it is spent for its intended purpose. As of March 31, 2006, \$11,143 of the original grant amount remained restricted for web site development. During fiscal 2007, the funds were disbursed for the intended purpose.

**(12) Commitments**

At March 31, 2007, the Company had total loan commitments of \$17,914,684 relating to loans to be funded by the Company with loans from member banks and loans where the Company arranges the financing which is funded by member banks.

The Agreements provided a total loan commitment capacity of \$264,297,065 as of March 31, 2007. The capacity of the member loan pool had the following usage:

	<u>NLPSE</u>	<u>NLPWF</u>	<u>NLPNF</u>
Participation loans:			
Closed and funded	\$ 22,747,072	50,472,528	11,189,098
Closed, but not yet funded	<u>7,460,223</u>	<u>19,766,669</u>	<u>13,976,506</u>
Subtotal for participation loans	30,207,295	70,239,197	25,165,604
Member loans committed, but not yet closed	13,230,502	-	4,585,000
Limited loan guarantees secured by the member loan pool	-	99,182	-
Available capacity for future commitments	<u>39,031,042</u>	<u>59,739,847</u>	<u>21,999,396</u>
Total member loan pool capacity	<u>\$ 82,468,839</u>	<u>130,078,226</u>	<u>51,750,000</u>

## NEIGHBORHOOD LENDING PARTNERS, INC.

## Schedule of Expenditures of Federal Awards and State Financial Assistance

For the Year Ended March 31, 2007

<u>Federal/State Agency/Pass-Through Grantor/Program Title</u>	<u>CFDA/ CSFA Number</u>	<u>Award/ Contract Grant Number</u>	<u>Grant Period</u>	<u>Expenditures</u>
<u>Federal Awards:</u>				
Community Development Financial Institutions Fund	21.020	971CD001006	N/A	\$ 125,000
Community Development Financial Institutions Fund	21.020	011CD003262	N/A	<u>356,500</u>
				\$ <u>481,500</u>
<u>State Projects:</u>				
<u>State Housing Incentive Program</u>				
Passed through the following jurisdiction: Pasco County	52.901	*		78,025
<u>Hurricane Housing Relief Program</u>				
Passed through the following jurisdiction: DeSoto County	52.902	*		<u>225,000</u>
				\$ <u>303,025</u>

\* Per discussion with a county representative, the contract/grant number is not known.

**NEIGHBORHOOD LENDING PARTNERS, INC.**

**Schedule of Expenditures of Federal Awards and State Financial Assistance, Continued**

**For the Year Ended March 31, 2007**

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of Neighborhood Lending Partners, Inc. and is presented on the same basis as stated in Note 1, Summary of Significant Accounting Policies, in the accompanying combined financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and Audits of States, Local Governments, and Non-Profit Organizations and Rule 10.650 of the Auditor General.

## NEIGHBORHOOD LENDING PARTNERS, INC.

## Combining Statement of Financial Position

At March 31, 2007

	<u>NLP</u>	<u>NLPWF</u>	<u>NLPSF</u>	<u>NLPNF</u>	<u>Eliminations</u>	<u>Combined</u>
<b>Assets</b>						
Cash:						
Restricted	\$ -	5,621,513	1,801,785	376,030	-	7,799,328
Unrestricted	<u>61,781</u>	<u>377,410</u>	<u>170,827</u>	<u>2,108</u>	-	<u>612,126</u>
Total cash	61,781	5,998,923	1,972,612	378,138	-	8,411,454
Short-term investments	-	<u>112,180</u>	-	-	-	<u>112,180</u>
Cash and cash equivalents	61,781	6,111,103	1,972,612	378,138	-	8,523,634
Certificates of deposit	-	150,000	-	-	-	150,000
Investments	-	249,375	-	-	-	249,375
Mortgage loans, net	-	375,778	98,750	9,384	-	483,912
Mortgage loans, CDFI, net	-	11,755,518	-	-	-	11,755,518
Accrued interest receivable	-	121,699	2,492	920	-	125,111
Servicing fees receivable	-	30,985	6,338	-	-	37,323
Support receivable from member banks	-	5,000	10,000	12,500	-	27,500
Other receivables	120,342	562,248	36,595	108,777	(519,377) <sup>(b)</sup>	308,585
Property and equipment, net	1,310,031	-	641	600	-	1,311,272
Investment in affiliates	15,481,908	-	-	-	(15,481,908) <sup>(a)</sup>	-
Other assets	<u>58,861</u>	<u>60,859</u>	-	-	-	<u>119,720</u>
Total assets	\$ <u>17,032,923</u>	<u>19,422,565</u>	<u>2,127,428</u>	<u>510,319</u>	<u>(16,001,285)</u>	<u>23,091,950</u>
<b>Liabilities and Net Assets</b>						
<b>Liabilities:</b>						
Accounts payable and accrued expenses	457,395	345,418	195,079	103,341	(519,377) <sup>(b)</sup>	581,856
Escrow deposits	-	2,364,660	1,676,079	313,095	-	4,353,834
Due to the City of St. Petersburg	-	1,521,058	-	-	-	1,521,058
Note payable	880,000	-	-	-	-	880,000
Due to member banks	-	<u>487</u>	<u>(2,735)</u>	<u>61,922</u>	-	<u>59,674</u>
Total liabilities	<u>1,337,395</u>	<u>4,231,623</u>	<u>1,868,423</u>	<u>478,358</u>	<u>(519,377)<sup>(b)</sup></u>	<u>7,396,422</u>
<b>Net assets:</b>						
Unrestricted	<u>4,269,773</u>	<u>3,787,687</u>	<u>249,005</u>	<u>19,461</u>	<u>(4,056,153)<sup>(a)</sup></u>	<u>4,269,773</u>
Temporarily restricted:						
CDFI Grants	9,512,802	9,512,802	-	-	(9,512,802) <sup>(a)</sup>	9,512,802
Other Grants	1,779,145	1,779,145	-	-	(1,779,145) <sup>(a)</sup>	1,779,145
Member support	27,500	5,000	10,000	12,500	(27,500) <sup>(a)</sup>	27,500
Future loan programs	<u>106,308</u>	<u>106,308</u>	-	-	<u>(106,308)<sup>(a)</sup></u>	<u>106,308</u>
Total temporarily restricted	<u>11,425,755</u>	<u>11,403,255</u>	<u>10,000</u>	<u>12,500</u>	<u>(11,425,755)<sup>(a)</sup></u>	<u>11,425,755</u>
Total net assets	<u>15,695,528</u>	<u>15,190,942</u>	<u>259,005</u>	<u>31,961</u>	<u>(15,481,908)<sup>(a)</sup></u>	<u>15,695,528</u>
Total liabilities and net assets	\$ <u>17,032,923</u>	<u>19,422,565</u>	<u>2,127,428</u>	<u>510,319</u>	<u>(16,001,285)</u>	<u>23,091,950</u>

<sup>(a)</sup> to eliminate investment in affiliates<sup>(b)</sup> to eliminate intercompany receivables and payables

## NEIGHBORHOOD LENDING PARTNERS, INC.

## Combining Statement of Activities

## For the Year Ending March 31, 2007

	<u>NLP</u>	<u>NLPWF</u>	<u>NLPSE</u>	<u>NLPNF</u>	<u>Eliminations</u>	<u>Combined</u>
Revenues:						
Grants	\$ 75,000	1,620,100	-	-	-	1,695,100
Loan servicing fees	106,847	505,344	125,870	53,750	(106,847) <sup>(c)</sup>	684,964
Loan facilitation fees	-	468,946	268,879	240,174	-	977,999
Interest income, mortgage loans	-	144,406	367,842	483	-	512,731
Member support	-	27,300	50,000	37,500	-	114,800
Interest income and other	<u>1,712,265</u>	<u>215,731</u>	<u>64,181</u>	<u>6,451</u>	<u>(1,712,265)<sup>(a)</sup></u>	<u>286,363</u>
Total revenues	<u>1,894,112</u>	<u>2,981,827</u>	<u>876,772</u>	<u>338,358</u>	<u>1,819,112</u>	<u>4,271,957</u>
Expenses:						
Salaries and employee benefits	106,847	944,007	355,482	188,259	-	1,594,595
Professional fees	-	59,149	21,001	13,256	-	93,406
Rental and maintenance	-	24,978	14,415	9,731	-	49,124
Office	-	42,240	20,110	14,650	-	77,000
Depreciation and amortization	-	55,706	12,795	11,848	-	80,349
Credit for loan losses	-	(4,603)	-	-	-	(4,603)
Interest expense	-	18,761	340,359	18,761	-	377,881
Travel	-	10,180	20,156	17,066	-	47,402
Other	<u>12,097</u>	<u>113,126</u>	<u>110,919</u>	<u>52,340</u>	<u>(106,847)<sup>(c)</sup></u>	<u>181,635</u>
Total expenses	<u>118,944</u>	<u>1,263,544</u>	<u>895,237</u>	<u>325,911</u>	<u>(106,847)<sup>(c)</sup></u>	<u>2,496,789</u>
Increase (decrease) in net assets	1,775,168	1,718,283	(18,465)	12,447	(1,712,265) <sup>(a)</sup>	1,775,168
Net assets at beginning of year	<u>13,920,360</u>	<u>13,472,659</u>	<u>277,470</u>	<u>19,514</u>	<u>(13,769,643)<sup>(b)</sup></u>	<u>13,920,360</u>
Net assets at end of year	\$ <u>15,695,528</u>	<u>15,190,942</u>	<u>259,005</u>	<u>31,961</u>	<u>(15,481,908)<sup>(b)</sup></u>	<u>15,695,528</u>

(a) to eliminate increase (decrease) in net assets of affiliates

(b) to eliminate fund balance of affiliates

(c) to eliminate intercompany revenue and expenses

